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April 2020

Policy Brief on Socio- Economic Impact Assessment in Tanzania

SUBMITTED BY ESRF



TABLE OF CONTENTS

TABLE OF CONTENTS.....	I
FOREWORD	II
ACKNOWLEDGEMENT.....	IV
SUMMARY.....	V
1.0 BACKGROUND AND INTRODUCTION	1
2.0 IMPACT TRANSMISSION CHANNELS	2
3.0 IMPACT ON THE ECONOMY	3
3.1 IMPACTS ON TOURISM AND HOSPITALITY INDUSTRY	3
3.2 IMPACTS ON TRANSPORT AND STORAGE	3
3.3 IMPACTS ON WHOLESALE AND RETAIL TRADE	4
3.4 IMPACTS ON AGRICULTURE	5
3.5 IMPACTS ON FINANCE AND INSURANCE.....	6
3.6 IMPACT ON PUBLIC BUDGETING AND SOCIAL SERVICE DELIVERY	7
3.6.1 <i>Increased Spending Needs</i>	7
3.6.2 <i>Revenue Challenges</i>	7
4.0 IMPACT OF COVID 19 ON THE POOR AND VULNERABLE GROUPS.....	9
5.0 POLICY PRIORITIES AND RECOMMENDATIONS.....	10

FOREWORD

The year 2020 has witnessed an unprecedented COVID-19 crisis where many human lives have been lost. We have also witnessed the tremendous magnitude and speed of collapse in economic activity— something unseen in our lifetime. This is certainly not good for achieving the Sustainable Development Goals (SDGs) where prior to this crisis, the world was already falling behind in efforts to achieve them.

The pandemic has led the global economy to a new conundrum. Global growth is projected by the International Monetary Fund (IMF) to fall to -3 per cent this year, making it the worst recession since the great depression and much worse than during the 2008-09 financial crisis.

The United Nations system and partner international organizations have recently outlined measures to address the impact of the unfolding global recession and financial turmoil in the recent 2020 Financing for Sustainable Development Report. The report urges policy makers to take immediate steps and coordinated response to address the economic and financial havoc wrought by the COVID-19 pandemic, which threatens to destabilize poor countries' finances.

I commend UNDP Tanzania for taking a proactive step and for providing leadership in undertaking this Rapid Socio-economic Impact Assessment which has resulted into this informative and insightful report. It is my sincere hope the report will add value to the ongoing government efforts to curb the spread of the COVID 19 pandemic. I look forward to the more in-depth assessment which will provide more detailed and sector-specific data and recommendations. On a similar note, I call upon the development partners in Tanzania to provide much needed support for immediate response to the pandemic and rally around efforts for early recovery. This is needed to mitigate the negative socio-economic impacts of the pandemic and to the extent possible, enable Tanzania to at least sustain the progress it had made in achieving the SDGs.

This is a global crisis which calls for global solidarity and coordinated local action. Let us join hands in combating the COVID 19 pandemic in Tanzania.



Zlatan Milisic

UN Resident Coordinator in Tanzania

ACKNOWLEDGMENT

UNDP Tanzania appreciates the good work done by the Economic and Social Research Foundation (ESRF) to which we commissioned to undertake this very important exercise of national significance and relevance in the wake of the rapidly unfolding COVID 19 pandemic. Their professional approach to the work and swift action in reaching out to various stakeholders to collect information and data as well as validate some of the recommendations, made it possible to come up with this report within the specified time. From the very beginning UNDP team worked with ESRF to jointly draft a Concept Note on the socioeconomic impact of COVID 19 on Tanzania. The Concept note was reviewed and commented upon by Technical Experts drawn from UN Agencies before the actual work started.

Therefore, UNDP is particularly grateful to Dr Tausi Kida for leading the ESRF team of experts which was comprised of Dr Hoseana Bohela Lunogelo, Mr. Desmond Ngarami and others who were working behind the scene to carry out the analysis and prepare the expected reports. A lot of gratitude goes to the UNDP team which was comprised of Economic Advisor Mr. Fitsum Abraha, Program Coordinator Mr. Amon Manyama and the Head of Inclusive Growth Pillar, Mr. Ernest Salla, for working tirelessly with the ESRF team to ensure the work is done and is of high quality. They made my work of providing oversight and guidance for the entire exercise easy.

Tremendous support was received from Technical Experts of UN agencies and development partners, in the form of inputs and comments into the draft for improvement. We would like to express our appreciation to experts who represented the World Bank, UNICEF, UN Women, UNICEF, ILO, FAO, WFP and WHO. The colleagues from the WB and UNICEF devoted time to provide very specific inputs which were used to enrich the report. Equally, the work would not have been possible without the support from the Private sector representatives and their associations who shared information on the impacts and challenges created by COVID-19 in their respective sectors. UNDP is very grateful for their cooperation.

Lastly but not least, UNDP would like to thank the UN Resident Coordinator, Mr. Zlatan Milisic for leadership in bringing the UN team together in this exercise and for his unwavering support for well-coordinated and joint action.

SUMMARY

This policy brief assesses the possible risks and impact pathways of COVID 19 on the economy, public finance and budgeting, poverty and inequality and vulnerable groups in Tanzania. The analysis assumes three scenarios: best case scenario where the current situation is maintained; moderate scenario where there is some modest escalation in infections and consequently in aversive reactions to the pandemic; and worst-case scenarios the situation deteriorates further for an extended period of time. Although in some cases there has been an attempt to quantify the associated risks, the major part of the analysis is qualitative based on logical sequencing of events happening in the assessed sectors. The assessment shows that, even under a 'limited or slow virus spread scenario' there will still be severe shocks in the hospitality industry, exporters of manufactured and agricultural goods, transport and logistics, as well as the financial sector. The priority for the Government and development stakeholders must be to prevent contagion and support most vulnerable groups and firms in the most affected sectors and value chains. In the medium term, the aftermath of this crisis must be turned into an opportunity to put well-being at the centre, based on stronger social protection systems, better healthcare, more robust and inclusive public finances and implementing inclusive development strategies.

1.0 BACKGROUND AND INTRODUCTION

This pandemic has manifested itself to be more than a health crisis. Tackling COVID-19 is also a humanitarian and development crisis that is threatening to leave deep social, economic and political scars for years to come, particularly in countries already weighed down by fragility, poverty and conflict. - UNDP

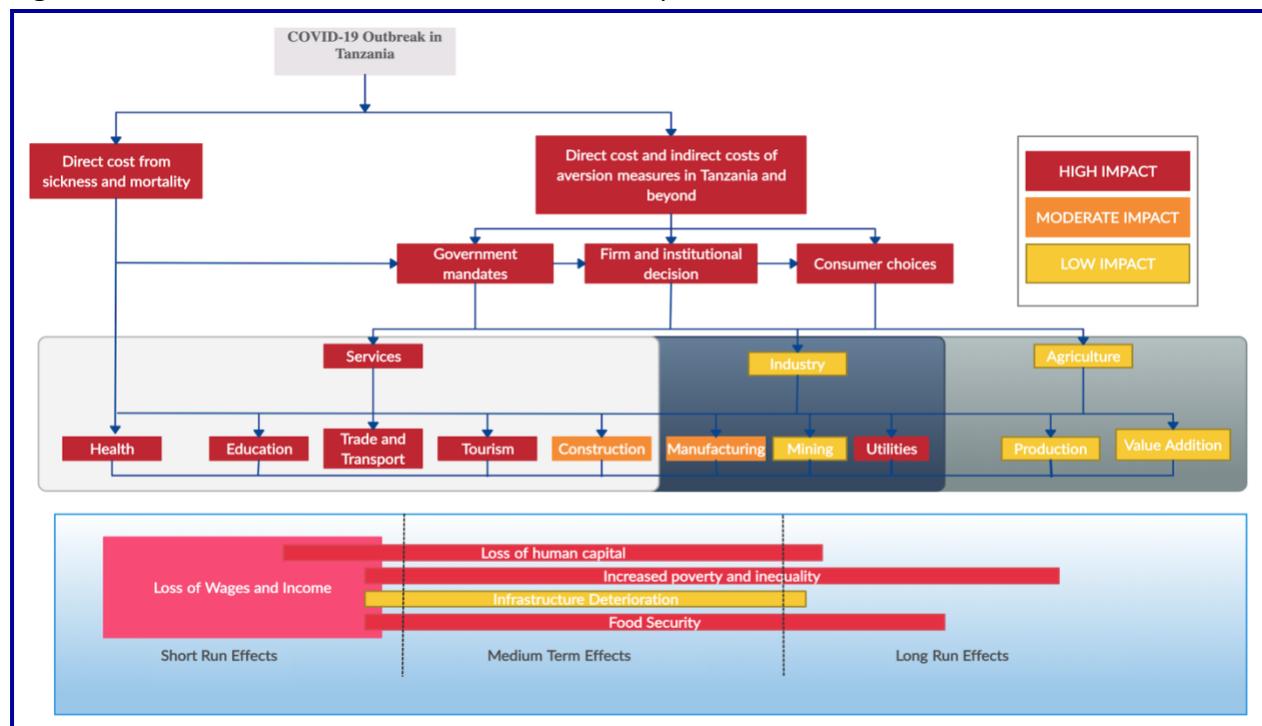
On November 17th, 2019, the first reported case of COVID 19 was documented in Wuhan, China. In the subsequent months, COVID19's status as a transboundary disease has escalated from being classified as a full-fledged outbreak initially confined to China, to being recognized by the World Health Organization (WHO) as a 'public health emergency, and finally being classified as a 'global pandemic' on the 12th of March 2020. In any health crisis, our first concern is (and should be) with the health of those affected. However, as travellers cancel flights, businesses ask workers to stay home, and stocks fall, a global health crisis becomes an economic crisis. Estimates of the likely global impact vary dramatically¹, though all agree that it will have dramatic effects on the wellbeing of families and communities and can translate to spikes in poverty, missed meals for children, and reduced access to healthcare far beyond COVID 19.

¹Bloomberg predicting a \$2.7 trillion loss in output, the Asian Development Bank releasing scenarios from \$77 billion to \$347 billion, and a report by OECD predicting halving of global growth

2.0 IMPACT TRANSMISSION CHANNELS

To understand the potential damage from the virus it is useful to distinguish two main channels of disruption: direct cost from sickness and mortality and the indirect impact from aversion behaviours of Government, firms, and consumers in Tanzania, the region, and other parts of the world. We adapted the conceptual framework from the Guideline on Assessing Socio-Economic Impact of COVID-19 by UNDP. The guideline explains that the socio-economic impact of the COVID-19 epidemic operates through two distinct channels.

Figure 1: Channels of Potential Socio-economic Impact of the COVID 19



Source: Author adaptation from Evans and Over (2020)

Direct and Indirect Effects of the sickness: Beyond the human tragedy, there is a direct economic impact from lives lost in an outbreak. Families and loved ones lose that income and their in-kind contributions to household income. Of note, the distribution of COVID-19 fatalities skews old, which means many of those most likely to die are no longer working and are less likely to be the primary provider for their families. Though less likely to pass away from COVID-19, many working age adults still fall ill and their families will feel the financial burden as they miss work for days or weeks.

Aversion Behaviours Effects: Most of the economic impact of the virus will be—as we are already seeing—from “aversion behaviour,” the actions people take to avoid catching the virus (which can, it should be noted, be a logical and proportional response). This aversion behaviours come from three sources²: Governments impose bans on certain types of activities from closure of schools to total lockdowns; firms and institutions (including private schools and private companies) take proactive measures to avoid infection³; and individuals reduce trips to the market, travel, going out, and other social activities. These actions affect all sectors of the economy in turn translating into reduced income both through the supply side (reduced production drives up prices for consumers) and the demand side (reduced demand from consumers hurt business owners and their employees).

² This is both domestic and foreign as actions of foreign government, firms, and consumers have an impact of Tanzania’s economy

³ Business closures—whether through government bans or business decisions—result in lost wages for workers in many cases, especially in the informal economy where there is no paid leave

3.0 IMPACT ON THE ECONOMY

3.1 Impacts on Tourism and Hospitality Industry

The tourism and hospitality industries are one of the major sources of employment, tax revenue, and foreign exchange earnings to Tanzania. In the 2019 fiscal year (FY), the total value of foreign exchange earnings generated from tourism amounted to USD 2.557 billion⁴. This represented 25.79% of all goods and service exports and 61.4% of service exports. The sector is more important for Zanzibar as it accounts for about a third of its GDP, 80% of its revenue, and remains the biggest employer in the island. In this regard, the onset of COVID 19 has substantially derailed the growth and progress of a key contributor to the national economy. Among the first measures taken by most countries was to curtail movement of people from the COVID 19 countries as a measure to control the spread of the virus. Consequently, Tanzania also restricted arrivals from the affected countries, including Italy and China, both of which had in recent years been a major source of tourists. Most recently Tanzania Civil Aviation Authority (TCAA) restricted any international passenger flight from landing in Tanzania resulting in a reduced number of tourists.

Reduced number of tourists implies depressed hotel activities and closure of most if not all tourist hotels, the majority of which are in Zanzibar, and decreased economic activities and fall in income due to the strong backward and forward economic linkages -- internal and regional transport business such as charter flights, food and beverages industry, culture and art, all of which have some implications to security of jobs, government tax revenue and household food security negatively affected. Tourism has been a major source of foreign exchange earnings, which will also be severely affected as result of the sudden decline of tourist arrivals and low hotel occupancy rates. The reduced forex earnings and domestic tax revenue poses a risk to the ability of governments to provide basic social services to the people.

3.2 Impacts on Transport and Storage

Transportation and storage sector employ 521,698 people and contribute 6.48% and 3.2% of Tanzania Mainland and Zanzibar GDP respectively. The sector also generates significant foreign income which is estimated at 14.56% of Tanzania Mainland total forex revenues. Road transportation is the most dominant sub-sector, facilitating movements of people and goods within Tanzania and to neighbouring countries. Domestic aviation was in a recovery trajectory following a revamp of the national carrier; the Air Tanzania Corporation Limited (ATCL). Despite its nascent domestic aviation industry, Tanzania remains an important hub for international travels. Tanzania Mainland reported 5.7 million air travellers⁵, of which 2.7 million were passengers on international flights during fiscal year 2018/19. In Zanzibar, marine transportation plays a significant role transporting traders and tourists among the three cities of Zanzibar, Dar es Salaam and Tanga. According to the Zanzibar Socio-Economic Survey, there were 2,709,000 marine passengers in 2018.

Observed impacts within the public road transportation sector relate to the government's health and cautionary guidelines. Through LATRA (Land Transport Regulatory authority the government has ordered level sitting and provision of sanitizers or hand washing facilities⁶ by bus operators. These measures though commendable add extra costs to business and reduce income due to fewer passengers per route. In the case of inter-regional buses profitability declines due to lower

⁴ Bank of Tanzania Quarterly Economic Report 2019

⁵ Source: Ministry of Finance and Planning Budget Speech 2019/20

⁶ On April 20, drivers posed a formal request to their employers to provide protective gears and a minimum of US \$ 200 allowance should the drivers go into mandatory quarantine

business volumes as more people avoid non-essential/urgent trips upcountry. There is also a growing concern on road transportation as other countries within the region are considering stricter measures against importation of infected people into their territories⁷. On the consumer side, long waiting times, or resorting to costlier transport means such as tricycles (bajajis) and motorcycles (bodaboda). The poor are affected disproportionately because many reside far from the city centres. Also, as their compensation is often pegged on the number of deliverables or hours worked, long commutes are correlated with even lower incomes.

In the aviation sector, there has been a sharp decline in revenue in airlines, airports, airport cargo handling companies and related service providers as the number of passengers plummets following border entry restrictions and consequential flights suspension by most international airlines and measures by TCAA. Charter flights serving tourist spots such as Zanzibar and national parks in the Northern Circuit are the hardest hit mainly because of lack of international tourists and falling local demand. In December 2019 alone an estimated 12,998 tourists⁸ embarked on domestic airlines including charter flights to Zanzibar compared to none in April 2020.

In marine transportation, countries all over the world responded by restricting transportation of both passengers and goods ships as a way of containing the spread of COVID-19. Consequently, Tanzania has witnessed a drastic reduction in the number of ships into the country. This initial analysis suggests that marine transport disruption will lead to reduced exported goods (from the manufacturing and agricultural sectors as well as imported goods and from the region through ports with the most impacted being Dar es Salaam ports and the associated logistics firms. Predicted impacts on the storage sector are linked to reduced traffic in cargo vessels. Given that domestic production is sustained, existing storage capacity may not be sufficient as exporters experience longer waiting times due to delayed take-offs from ports and airports impacting non-perishable agricultural products such as sisal, tea, cotton and coffee. Inventory backlog for non-agricultural products will likely be insignificant since exports are to SADC and EAC countries.

3.3 Impacts on Wholesale and Retail Trade

The sector employs about 2,528,771 people in the labour force majority in the informal sector with a high proportion of women, has a share of 9.12% in contribution to GDP and contributes about TZS 71.6 billion in domestic VAT revenue and TZS 6,776.8 billion in international trade taxes. Since the outbreak of the COVID-19 virus, the sector has been adversely affected through a number of global, regional, and domestic channels.

The sector has been and still is continually rampaged by shocks caused by the outbreak. In Tanzania's current state, much of the shock stems from international trade as global manufacturing comes to a standstill and governments close off their borders in an attempt to reduce further spread of the virus. 20 percent of the countries Tanzania imports from have some sort of restriction placed, limiting essential supply for businesses to re-sell or use for manufacturing in Tanzania. This is especially true for pharmaceuticals and non-perishable goods that will be in high demand from panic buying should the situation escalate. The other challenge is difficulties in cross border trading which accounts for 60-percent of Tanzania's total export value. According to the rapid survey done by the UN-Women organization (2020), most businesses along the Tanzania-Congo, Tanzania-Kenya, Tanzania-Burundi and Tanzania-Rwanda borders had to close down because of strict restrictions along the borders.

⁷ Some local governments in Uganda prohibit track drivers from neighbouring countries in fear of spreading the virus

⁸ Source: Office of the Chief Government Statistician; Tourism, December 2019

Women are the most affected as they constitute 70-percent of all cross-border traders. The sale of agricultural crops to foreign markets have been disrupted, affecting both small & large -scale farmers that export. The sudden emergence of unsold crops within the domestic market will pressurize prices to a level that won't be profitable. Excess supply could lead to an increase in crop wastage. Another severely affected group is the informal sector. Government mandates like the 30-day school suspension has cut off an essential market from a specific group of traders. These businesses include suppliers of stationeries, uniforms, textbooks, street vendors, kiosks, and small restaurants that earn most of their income from sales made to students. With cases increasing day-by-day, it is likely that the suspension will be extended, exacerbating the problems they face.

3.4 Impacts on Agriculture

The sector provides direct livelihoods to a majority Tanzanians, 66% of whom are small and medium scale farmers and fisherfolks. The sector contributes about 22.4% to national GDP. Exported commodities (e.g. horticultural crops, fibre crops, beverage crops, cereals and legumes, oilseeds, live animals, fish and crustaceans) have the potential to generate more than USD 1.1 billion when external markets are favourable⁹. The impact of COVID-19 on the agricultural sector comes mainly through the disruption of cargo transportation systems among countries as a result of reduction and/or cancellation of regular sea vessels, flights and trucks.

According to an assessment by the Ministry of Agriculture (MoA), there will be a staggered impact on commodity export earnings depending on time of harvesting in 2020. Commodities that are already affected include horticultural crops (vegetables, fruits, spices, and flowers), which employ about 4 million people, and contributed 43% to agricultural export earnings in 2018. Although the Government and TAHA have secured the services of Ethiopian Airline as alternative to regular flights, the market prices for horticultural products are lower compared to the same period in 2019¹⁰. Domestically, producers of tomatoes and vegetables are facing reduced demand and a drop of prices by about 20 percent due to the closure of tourist hotels¹¹. Exports of fish fillets and meat to the EU and the Middle East have also been affected, although the government has been coordinating efforts to use excess space in the planes hired to ferry horticultural products, meat and fish products. Zanzibar is most adversely affected by the disruptions in exportation of horticultural products, fish products and sea weeds.

Made tea leaves and sisal fibres are also affected by the reduction of sea vessels, reduced direct orders from traditional importers, as well as a decline in world market prices compared to 2019. About 80 percent of tea is exported to 7 countries led by the United Kingdom, South Africa, German, Pakistan, etc, while 80% of sisal fibre is exported to countries such as China, Saudi Arabia, UK and Kenya, all affected by COVID-19¹². If the current situation is protracted post-June the same fate will be applied to cotton, and cashew nuts. About 70% of the exported cotton is sold to countries including India (19%), Bangladesh (17.9%), China (15.9%), Indonesia (13.7%) and Thailand (9.2%); while cashew nuts are mostly sold to India (48.9%) and Vietnam (38.3%). Coffee also faces a depressed market outlook in 2020/21 if the situation is prolonged¹³. Demand in the destination countries has gone down due to closure of restaurants and coffee houses. It is only Japan (takes 34.3% of Tanzania's exports) that is not adversely affected by COVID-19, but the pandemic has caused havoc in German (12.8%), USA (9.6%), Italy (9.3%) and Belgium (5.1%). Although Tanzania had planned to expand its trade in food commodities with SADC and EAC countries, logistical hurdles in handling drivers on transit between countries is likely to dampen

⁹ Bank of Tanzania 2019

¹⁰ www.freshfruit.com

¹¹ Ministry of Agriculture Initial Assessment of Impact of COVID 19

¹² COMTRADE, 2020

¹³ ITC, 2020

that goal in the face of tighter controls in people's movement as a measure to slow down the spread of COVID-19.

Another noteworthy area of risk is the disruption in the world market for fertilizers, given that Tanzania imports 90% of its annual requirements (cost USD 596.52 million in 2018) from countries such as Russia, Saudi Arabia, China and Morocco. Their factories are not optimally functioning, resulting in a 15% percent increase in prices this quarter compared to 2019. Delays or importing at higher prices is most likely going to negatively affect productivity in 2020/21. Pesticides and chemicals are usually imported from mostly China, Italy, Turkey, and India, also affected by COVID-19 (MOA,2020).

In conclusion, Tanzania is likely to suffer from a double-edged sword impact of COVID-19 on international and domestic trade for agricultural products. On one side, there will be a reduction of export earnings due to declining export orders of the commodities, especially those whose main export destinations are outside the EAC and SADC regional economic blocs. On the other hand, the reduced foreign exchange revenue is likely to affect the nation's ability to import such essential food items, leading to price hikes (food price inflation) and thus affecting food security for the majority low- and middle-income citizens, the majority of whom are youth and women. Reduced income for farmers growing cash crops and for urban poor will likely experience food insecurity due to weakened purchasing power. However, if well planned, the country is likely to gain from increased food and other commodities to SADC and EAC countries, some of them adversely affected by the invasion of desert locusts.

3.5 Impacts on Finance and Insurance

The ongoing challenges experienced in the aforementioned sectors have started to affect the finance and insurance sectors mostly through weakened liquidity positions, deterioration of credit quality thus high risk of non-performing loans emanating from challenges in sectors such as tourism and trade, large borrowers in transport and logistics, and general business slowdown as well closures. Three main groups of borrowers are affected namely, large corporate borrowers (manufacturers, transporters and traders, etc.), SMEs and micro credit clients. Large corporate borrowers whose business depend mainly on imported inputs will possibly suffer from lack of imports, thus shrink production and contract sales and thus experience challenges in loan repayment which add distress to commercial lenders in the medium to long term. The majority of the loans that go towards small borrowers often are backed by salaries and reduction in wages or termination of contracts will likely leave a number of banks exposed. The most at risk group, however, is the informal sectors (mostly women) that are heavily reliant on microfinance (SACCOs and microfinance banks). Because of the challenges faced by the informal sector operators as a result of aversive measures by the Government or individuals, repayments are likely to fall behind schedule leaving most microfinance institutions at risk in the medium and long terms. This is likely to increase the already very high cost of credit for a group that has no viable alternatives from microfinance.

In the equity market, the DSE with a total of 27 listed equity companies has already reported a dent in the equity segment in Q1, 2020 compared to Q4, 2019. DSE's total market capitalization declined by 15 percent as of 31st March 2020 compared to the previous quarter that ended 31st December 2019. The total market capitalization decreased by TZS 2,587 billion i.e. from TZS 17,906 billion on 31st December 2019 to TZS 14,510 billion as of 31st March 2020. This followed a significant decline in prices of all cross-listed companies. These are companies primarily listed in the Nairobi Securities Exchange, which are also cross listed at the DSE.

3.6 Impact on Public Budgeting and Social Service Delivery

3.6.1 Increased Spending Needs

One of the most difficult challenges the Government is facing and will continue to face is around public budgeting and social service delivery during and after the COVID 19 crisis. COVID-19 pandemic has undoubtedly increased demand for public expenditure on health mainly in procurement of medicines, medical equipment and gadgets/ventilators, beds etc., spending on preventive measures, public health measures, among others. As COVID-19 spreads, treatment costs on more sick people will most likely increase. Beyond health, the Government of Tanzania will have challenges with generating revenue to support its priorities at a time when resources are most needed. For instance, World Bank recommends that developing countries, for their part, should move quickly to: Boost spending on health: In many developing countries, public health systems remain weak, making their populations vulnerable to the rapid spread of the outbreak. Governments should boost investments that strengthen these systems to enable faster treatment and containment; Strengthen the safety net: Cash transfers and free medical services for the most vulnerable people would help contain the outbreak and also limit its financial harm; and support the private sector: Since businesses of all kinds are likely to take a hit, they would benefit from short-term credit, tax breaks, or subsidies.

Another challenge that the government faces is that the increased spending towards health and other emergency operations needed to address the pandemic were not budgeted for and as Tanzania is coming towards the end of a fiscal year, reallocation is not very easy. One reason reallocation is not an easier alternative is because, even in a normal year, budget commitments to different sectors are often not met by the disbursements¹⁴. Lastly, the Government is already spending a sizable amount of its funds servicing debt which reduces the latitude left for funding the aforementioned initiatives. In 2018/19, the Government planned to spend 32.47 trillion shillings. Out of the amount, 20.47 trillion shillings was for recurrent expenditure, including 7.4 trillion shillings for wages and salaries and 10 trillion shillings for public debt and general services¹⁵.

3.6.2 Revenue Challenges

As increased pressure on public expenditure on health sector mounts, the cash flows in government revenues are expected to decline due to decrease in a variety of direct and indirect taxes, levies etc. following compression in business margins, slowdown of business activities, retrenchments, salary losses, closure of income generating avenues in the informal economy as propounded in the above sections. This is expected to happen as Tanzania is increasingly relying on domestic sources (both tax and non-tax income) rather than on foreign borrowing to finance its activities. Borrowing from foreign and domestic financial markets accounts for approximately 30% which is a positive progress in terms of reliance on sustainable revenue sources. However, as a result of COVID 19, revenues from major taxes will likely face a sharp decline, which will lead to significant revenue gaps. For instance, in an optimistic scenario, a 10% decrease in the revenue from major taxes like VAT, corporate and excise tax will amount to a shortfall of approximately TShs 690 billion (US\$ 300 million), equivalent to the total budget of the Ministry of Health, Community Development, Gender, Elderly, and Children in FY 2018-19¹⁶.

Another revenue challenge will emanate from difficulties that key revenue generating State Owned Enterprises (SOEs) will face during the crisis. In the past couple of years, the Government

¹⁴ Budget execution reports

¹⁵ 2018 Tanzania Economic Survey Report

¹⁶ UNICEF Briefing Note on Implication of COVID 19 on Tanzania

has been instrumental in ensuring the solvency and impact of SOEs in the economy and strict measures saw most if not all SOEs make a contribution to Government coffers last year. Some commercial SOEs will experience challenges because of the crisis in the short and medium term. Already, the Tanzania Civil Aviation Authority has asked for support from Government to run its operations because of reduced revenues and we expect Tanzania Airport Authority to have similar challenges as well. Other SOEs that might be affected by the crisis is key measures are not taken are Tanzania Ports Authority, Air Tanzania Company Limited, Tanzania National Parks Authority, and Ngorongoro Conservation Area Authority.

4.0 IMPACT OF COVID 19 ON THE POOR AND VULNERABLE GROUPS

COVID 19 like any other crises is hugely resource demanding. One of the main preventative measures against COVID 19 is the use of running water or sanitizers both of which are costly and in most cases a luxury and as such most of the poor and most vulnerable will be without protection. Also, there are a huge number of people, mostly in rural areas without access to water which is paramount in the fight against COVID 19. Second, key sectors that employ the majority of the poor, the youth and people living with disabilities are and will continue to be severely impacted by the pandemic. Measures to curb human mobility and social distancing measures have disrupted livelihoods exposing the majority of the poor to acute financial shocks. Most of the poor and vulnerable that are self-employed in the informal sector have been affected by reduced demand for their products (less traffic, closure of schools and other measures) as a result of aversive actions against COVID-19.

In the long term, most of the poor will be impacted because of the difficulties related to the cost of inputs in the agriculture sector. In agriculture, COVID 19 has already brought about shortages of some agricultural inputs such as herbicides, pesticides and horticultural seeds thus increased the rise in the cost of inputs (fertilizer) whose impact will be felt even stronger in the next planting season. Similarly, women are hit harder by the economic impact of pandemics such as those COVID 19 is driving because most women work in low-paying, insecure and informal sectors. Tanzania's experience with COVID 19 will likely yield a similar outcome as 51% of women work in the informal sector employed or running micro and small enterprises¹⁷. Main attributes of this sector include daily wages, limited social protection measures and savings, reliance on entrepreneurs (owner cum operator) which cumulatively make women vulnerable particularly at times like these. The situation is exacerbated by restrictions on movement and lowered consumer demand in export markets, reduced cross border trade and total halt in the tourism sector.

Women are hit harder by economic impacts of pandemics such as those COVID 19 is driving. This is because most women work in low-paying, insecure and informal sectors. It is likely that Tanzania's experience with COVID-19 will yield a similar outcome because there are fewer women than men in sectors which are likely to be formal. 51% of women work in the informal sector employed or running micro and small enterprises. Compounded economic impacts are felt especially by women and girls who are generally earning less, saving less, and holding insecure jobs or living close to poverty. Also, while early reports reveal more men are dying as a result of COVID-19, the health of women generally is adversely impacted through the reallocation of resources and priorities, including sexual and reproductive health services. Unpaid care work has increased, with children out-of-school, heightened care needs of older persons and overwhelmed health services. Also, as the COVID-19 pandemic deepens economic and social stress coupled with restricted movement and social isolation measures, gender-based violence is increasing exponentially. Many women are being forced to 'lockdown' at home with their abusers at the same time that services to support survivors are being disrupted or made inaccessible. All of these impacts are further amplified in contexts of fragility, conflict, and emergencies where social cohesion is already undermined, and institutional capacity and services are limited.

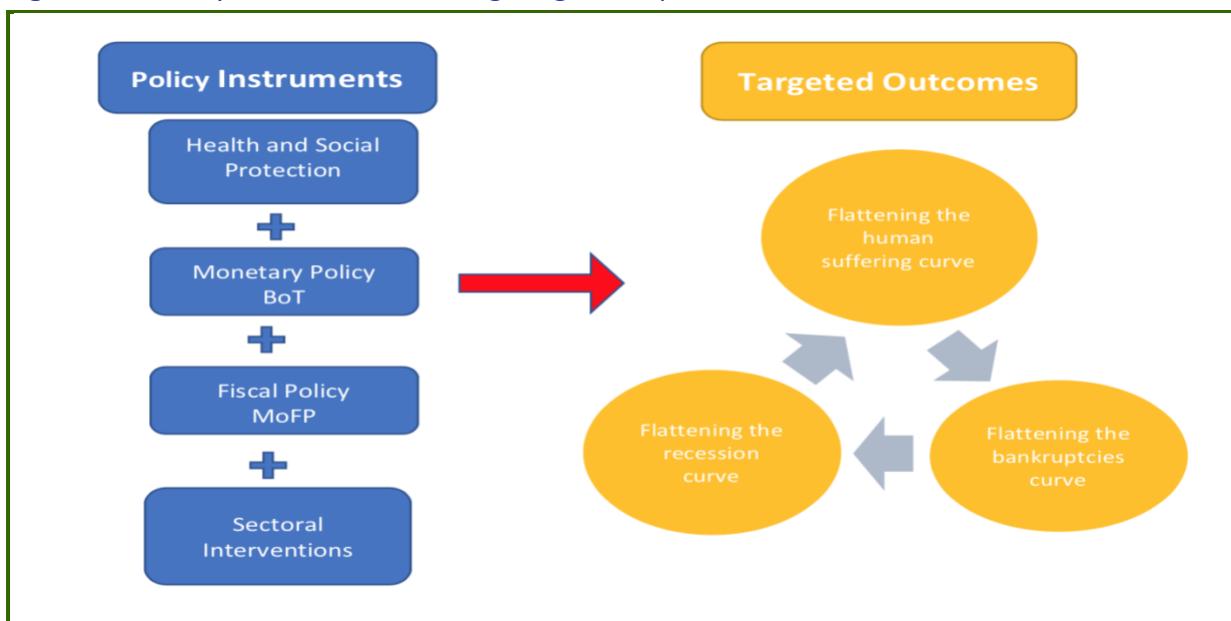
¹⁷ NBS, Women and Men Facts and Figures, 2018

5.0 POLICY PRIORITIES AND RECOMMENDATIONS

In addressing the pandemic and its impact, policymakers should pay special attention to sequencing. The immediate focus has to be on measures to contain the spread of the pandemic and to treat the infected whilst providing support to cash-strapped individuals and firms to just keep them afloat until the pandemic begins to subside. Controlling the spread of the virus is important for both health and economic reasons. This is because, widespread infections cost more lives, but are also more costly to address and will have huge economic ramifications for Tanzania during and after the crisis. Tanzania should aim to be one of the first countries in the region to control and eventually overcome the pandemic as this might affect the readiness and willingness of other countries in the region to engage economically with Tanzania. It is also recommended that the Government should leave as much fiscal space as possible for the next phase-recovery. A fiscal stimulus in the current circumstances of suppressed demand may have little impact on economic activity but it will make a big difference once people start returning to work.

It is also important for the policies to be multidimensional, bold, and unbound by convention and that they are timely, time-bound, targeted, and transparent. On this, a number of countries have used a wide range of policy interventions to address the pandemic and its impact on the economy and livelihoods as shown in Figure 2 below. Below is a list of high-level recommendations for Government's consideration in addressing the pandemic in Tanzania:

Figure 2: A Policy Framework for Mitigating the Impact of COVID 19



Source: Adapted from Brookings Institution 2020 - Policy framework for mitigating the economic impact of COVID 19

- A. Control the spread of the virus in the shortest time possible.** Specifically, increased spending is needed in strengthening the capacity to detect, test, isolate and care for every case, and trace every contact. To do this, there is substantial need for additional financing, to be obtained through more borrowing, debt rescheduling, and reprioritization/repurposing of spending. In Government and for development partners, this can be done by ensuring that spending towards addressing the pandemic or its effect is prioritized, and ring fenced.
- B. Scale up existing social protection programmes and re-purpose them to protect the most vulnerable such as the elderly, youth, poor, women, people with HIV/AIDS** including non-conditional cash transfers, food baskets or suspension of payments of basic utilities. In order to finalise a rapid targeting approach, immediate mapping of existing

social protection programmes and their scaling up potential is critical. It is essential to constantly evaluate the implementation and effectiveness of these measures and to re-adjust them if necessary, especially those aimed at the poorest and vulnerable population.

- C. Support to businesses:** First, the Government should continue to encourage repurposing of private sector activities towards production of goods such as face masks, and PPE, and in water treatment chemicals which are vital for the COVID 19 fight. Second, there is a need to support businesses that are struggling as a result of the socio-economic fallout associated with the outbreak. Most of these businesses are in sectors such as tourism and related services, export-oriented sectors, and majority are informal, micro and small in scale. Support should be in the form of deferment of taxes and/or other fees and charges such as Skills Development Levy and releasing VAT refunds to assist businesses with managing their cash flow. Third, it is important to provide an enabling environment for sectors that have a huge opportunity to thrive as a result of COVID 19 such as horticulture and other agriculture exports by ensuring a ready market through bilateral agreements on logistics in high value markets and in the region (using EAC, and SADC). This could be done by granting tax breaks to companies seeking to increase their capacity to produce import substitute goods (sugar and edible oils), which could even mean zero-rating VAT for the next 3-months.
- D. Measure its impact:** COVID 19 health crisis is rapidly changing and so is its economic impact. The Government, working with Development Partners, Private Sector, and CSOs, should conduct routine quantitative and qualitative assessment of the health risk and its associated economic impact. The variables to be measures should be agreed upon by stakeholders but in any case, should address both economic and human development indicators. In addition, sector ministries should continue to assess the exposure of their sectors to COVID 19 and prioritize measures to reduce the exposure and support nation-wide priorities on controlling the spread and mitigating the economic impact of COVID 19.
- E. Strengthen and Improve Coordination Amongst Actors:** There are a number of initiatives by stakeholder towards addressing the pandemic. Whilst multiple involvement of stakeholders is always helpful, coordination is key for ensuring alignment and complementarities and avoiding duplication. The Government and development stakeholders should develop and adhere to a coordinated framework along the phases of the crisis (addressing the pandemic, measurement of the impact of the pandemic and on those affected, addressing the socio-economic impact, post recovery measures, and building a more resilient economy and society).
- F. Prepare and Plan for Post COVID 19 Era:** In business, the future will certainly be online and to be globally competitive, businesses will have to take advantage of the most recent technology and drive the innovation in that space. The Advisory Body under the Tanzania Private Sector Foundation must include the role of ICT in development as a key part of its broad terms of references. The team ought to understand the national capacity and utilization by multiple stakeholders and how that compares with our peers and then develop strategies to close any existing gaps. Ideally, this should involve engagement on infrastructure (access related) projects with global players like Facebook and Google. In education, parents will be more involved in their children's education process, and ministries of education will have a much clearer understanding of the gaps and challenges (in connectivity, hardware, integration of digital tools in the curriculum, teacher's readiness) that exist in using technology effectively and act upon that. All of this can strengthen the future education system in a country.